

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Sage Telecom, Inc.)	
)	
Petition for Arbitration of an)	
Interconnection Agreement with)	ICC Docket No. 03- 0570
Illinois Bell Telephone Company d/b/a)	
SBC Illinois under Section 252(b) of the)	
Telecommunications Act of 1996)	

DIRECT TESTIMONY OF STEPHANIE G. TIMKO
ON BEHALF OF SAGE TELECOM, INC.

Date Filed:
October 1, 2003

TABLE OF CONTENTS

	<u>Page</u>
I. Background and Education.....	3
II. Purpose and General Overview	3
III. Brief Description of Sage Telecom, Inc.....	5
A. Business Operations.....	5
B. Interconnection Agreement.....	7
IV. Factual Background of the Dispute.....	8
A. Overview.....	8
B. Description of “Incollects”	13
V. Evolution of Dispute.....	22
VI. Conclusion.....	37

I. BACKGROUND AND EDUCATION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Stephanie G. Timko and my business address is 805 Central Expressway
South, Suite 100, Allen, Texas 75013-2789.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am Regulatory Manager for Sage Telecom, Inc. ("Sage"). I manage state and federal
regulatory compliance for the company. My duties include representing Sage's
interests and business objectives in Federal and State legislative and regulatory
matters.

**Q. HAVE YOU PREPARED AN EXHIBIT THAT OUTLINES YOUR
EDUCATION AND WORK EXPERIENCE?**

A. Yes, I have. Attached to my testimony is my most recent resume (SGT-1). As can be
seen in this attachment, I have spent most of my career working in regulated
industries, with particular emphasis in the telecommunications industry.

II. PURPOSE AND GENERAL OVERVIEW

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. On behalf of Sage, I am providing testimony to support Sage's Petition for
Arbitration filed against SBC Illinois ("SBC") in this proceeding. I will provide: (1)
a general description of Sage; (2) a description of the dispute between Sage and

1 SBC; (3) factual and policy support for Sage's position; and (4) recommendations
2 on the appropriate resolution of Sage's Petition for Arbitration.

3 **Q. WHAT RELIEF IS SAGE SEEKING FROM THE COMMISSION IN THIS**
4 **PROCEEDING?**

5 A. Basically, Sage is asking the Illinois Commerce Commission ("ICC" or
6 "Commission") to enter an order finding that SBC cannot force, as a precondition to
7 interconnection, Sage to act as the Billing and Collection agent for, or a guarantor of,
8 third party billed calls originated by SBC's customers. It is clear that Billing and
9 Collection services have not been a regulated service under the Federal
10 Communications Act for going on two decades, and there is no reason now to link
11 approval of interconnection for regulated services to these unregulated services.
12 Other State regulatory commissions that have investigated this issue have found that
13 including ABS or Billing and Collection obligations in the interconnection process is
14 inappropriate.

15 If the Commission determines that Billing and Collection services should be
16 included in the interconnection agreement then, Sage requests that the Commission
17 adopt Sage's proposed language placing Sage in only the role of Billing and
18 Collection agent for SBC, and not be forced to accept SBC's condition that Sage be
19 held financially responsible for all of SBC's Incollect charges when the end-user fails
20 to pay the charge.

1 In the unlikely event that the Commission determines that it is appropriate to
2 add an appendix to the interconnection agreement submitted for approval in this
3 proceeding related to billing and collections of Incollect calls, Sage respectfully urges
4 the Commission to reject SBC's proposed ABS Appendix and adopt Sage's proposed
5 contract language (Ex. 3 to the Petition for Arbitration). Sage believes that SBC's
6 proposed ABS Appendix is onerous and cannot be approved in this proceeding.

7

8 **III. BRIEF DESCRIPTION OF SAGE TELECOM, INC.**

9 **A. BUSINESS OPERATIONS**

10 **Q. WOULD YOU PLEASE PROVIDE A BRIEF DESCRIPTION OF SAGE AND**
11 **ITS OPERATION IN ILLINOIS?**

12 A. Sage is a local exchange carrier licensed to provide service in exchange areas
13 throughout the State of Illinois in which SBC is the incumbent local exchange
14 provider.¹ Sage is now certificated to provide telecommunications services in Texas,
15 Arkansas, Oklahoma, Missouri, Kansas, California, Illinois, Indiana, Michigan,
16 Wisconsin, and Ohio.

17 **Q. WHAT IS SAGE'S MARKET FOCUS?**

18 A. Sage has identified a particular customer need or niche in today's evolving local
19 exchange market; an area of customer demand that Sage is well equipped to provide.

¹ Sage's license was issued by the Commission on December 26, 2001, in ICC Docket No. 01-0508.

1 Sage provides telecommunications services to residential and small business
2 customers in *rural and suburban communities* outside the metropolitan areas of
3 Illinois. Therefore, Sage's primary business focus in Illinois will be on providing
4 competitive local and interexchange telecommunications services in rural and
5 suburban parts of Illinois for residential and small business customers. From my
6 experience and knowledge in the Illinois market, I am not aware of any other CLEC
7 that has focused on the *residential rural and suburban customers* the way that Sage
8 has.

9 **Q. HOW DOES SAGE PROVIDE SERVICES TO ITS END-USE CUSTOMERS?**

10 A. Sage provides local service to customers *exclusively* through access to SBC's
11 Unbundled Network Element Platform ("UNE-P"). Sage intentionally does not rely
12 on resale for several reasons, including that Sage's products are bundled in a manner
13 unique to Sage and Sage's customers' needs. Sage provides toll services also
14 through use of SBC's UNEs. Sage provides long distance service to its customers
15 through an arrangement with a long distance carrier.

16 **Q. GENERALLY, WHAT SERVICE OFFERINGS DOES SAGE PROVIDE TO**
17 **ITS CUSTOMERS?**

18 A. Basically, Sage's product offerings are based on combining or packaging local, toll
19 (intrastate), and long distance (interstate) offered at a flat monthly rate. The offerings
20 include features, such as Caller ID or Call Waiting, and Sage offers other features to
21 customers that can be obtained in addition to the bundled offer. Each of the offerings

1 contains a set number of “long distance” (intraLATA and interLATA) minutes that
2 the customer may use as part of the flat monthly fee. Then if the customer uses more
3 than the allotted amount of long distance minutes, Sage charges a per minute rate for
4 long distance calls.

5 **B. INTERCONNECTION AGREEMENT**

6 **Q. DOES SAGE CURRENTLY HAVE AN INTERCONNECTION AGREEMENT**
7 **WITH SBC IN ILLINOIS?**

8 A. No, it does not. The parties have negotiated an interconnection agreement, but thus
9 far, SBC has refused to submit the agreement for approval by this Commission –
10 holding the agreement as leverage in order to get Sage to add SBC’s proposed ABS
11 Appendix. The SBC proposed ABS Appendix details how SBC desires Sage to be
12 held financially responsible for Incollect calls initiated by SBC’s customers.

13 SBC’s refusal to submit the already-negotiated interconnection agreement has
14 lead to the need to initiate this proceeding (the negotiated agreement is attached as
15 Exhibit 2 to the Petition for Arbitration). Sage contacted SBC and notified SBC that
16 Sage intended to use the Sage Interconnection Agreement from Michigan as the
17 baseline for negotiations in Illinois. SBC agreed and the parties began negotiations.
18 Those negotiations and have come to agreement on all of the terms of the agreement.

19

20 **Q. WHAT ARE THE OUTSTANDING ISSUES BEFORE THE COMMISSION**
21 **IN THIS ARBITRATION?**

1 A. There are two issues subject to this Petition, both interrelated to “Incollect Charges,”
2 charges from collect, calling card, and third party calls that SBC (or its affiliates)
3 want to assess on Sage’s local customers. The two issues are:

4 **Issue 1:** Can SBC impose on Sage, as a precondition to providing
5 Interconnection, an obligation that Sage act as the billing and
6 collection agent for third-party billed calls originated by
7 SBC’s customers?
8

9 **Issue 2:** If the answer to Issue 1 is yes, can SBC impose on Sage an
10 obligation to act as a guarantor to ensure payment to SBC for
11 Incollect charges, which are associated with certain
12 SBC/Third-Party-provided calls, such as collect calls, calling
13 card calls, and third party calls, that are not originated by a
14 Sage customer.?
15
16

17 **VI. FACTUAL BACKGROUND OF DISPUTE**

18 **A. OVERVIEW**

19 **Q. MS. TIMKO, WHAT ARE THE BASIC CONCERNS RELATED TO THIS**
20 **ISSUE?**

21 A. Sage has several concerns about SBC’s attempt to implement additional terms and
22 conditions related to “Incollect” calls that are not found in the negotiated
23 Interconnection Agreement.

24 **Q. GENERALLY, WHAT ARE THE SUBSTANTIVE CONCERNS?**

25 A. The primary concern that Sage wants the Commission to address is to find that SBC
26 cannot force Sage into acting as a billing and collections agent for an SBC product

1 (and products offered by other carriers) as a precondition to the interconnection of
2 regulated services.

3 Further, if the Commission determines that Sage can, in fact, be forced to act
4 in the context of an interconnection agreement as a billing and collection agent for
5 SBC's Incollect charges, then Sage is concerned that it should not be financially
6 liable for the Incollect call charges under the terms of the proposed Interconnection
7 Agreement. The importance of that finding is critical in that Sage cannot and should
8 not be held financially liable for charges that it flows through at the request of SBC
9 for services that are provided by SBC and other carriers, not Sage.

10 **Q. YOU MENTION ABOVE THAT SAGE HAS CONCERNS REGARDING**
11 **SBC'S ATTEMPT TO FORCE SAGE TO ACT AS A BILLING AND**
12 **COLLECTIONS AGENT FOR SBC AS A PRECONDITION TO**
13 **INTERCONNECTION OF REGULATED SERVICES. CAN YOU EXPLAIN**
14 **THAT STATEMENT?**

15 A. Yes. I should point out that the parties have agreed to terms of an interconnection
16 agreement pursuant to negotiations completed under Sections 251 and 252 of the
17 Federal Communications Act. These terms of interconnection are set forth in the
18 Interconnection Agreement between SBC and Sage, attached as Exhibit 2 to the
19 Petition for Arbitration.

20 Notwithstanding the fact that SBC and Sage have agreed to an
21 Interconnection Agreement, SBC is withholding signature on that Interconnection

1 Agreement unless and until Sage executes a billing and collection contract for
2 Incollect calls. It is Sage's position that SBC cannot compel Sage, as a precondition
3 to obtaining the rights to interconnection that are vested to Sage by Sections 251 and
4 252 of the Federal Communications Act, to execute a billing and collection
5 agreement for Incollect calls.

6 **Q. ON WHAT BASIS DOES SAGE MAKE SUCH AN ASSERTION?**

7 A. In 1986, the FCC found that billing and collection services do not employ wire or
8 radio facilities and do not allow customers of the service to "communicate or transmit
9 intelligence of their own design and choosing. ... In short, billing and collection is a
10 financial and administrative service."² As such, the FCC concluded "billing and
11 collection services provided by local exchange carriers are not subject to regulation
12 under Title II of the [Federal Communications] Act."³ The FCC went on to hold that
13 it will not assert any ancillary jurisdiction over billing and collection services under
14 Title I of the Federal Communications Act, as well.⁴

15 Thus, for going on two decades, billing and collection services have not fallen
16 under the jurisdiction of the Federal Communications Act. Notwithstanding the clear
17 lack of jurisdiction under the Federal Communications Act over billing and
18 collection, SBC seeks to inextricably link the interconnection process for those

² *In the Matter of Detariffing of Billing and Collection Services*, FCC Docket No. 85-88, Report and Order, 102 FCC.2nd 1150, ¶ 32 (rel. January 29, 1986).

³ *Id.*, at ¶ 34.

1 services that *are* regulated under the Federal Communications Act (e.g., the
2 Interconnection Agreement) by demanding Sage insert language in its
3 Interconnection Agreement related to this nonregulated service.

4 Because billing and collection is an unregulated service that isn't even subject
5 to the scope of the Federal Communications Act, there is, in Sage's view, no
6 sustainable reason why an interconnection agreement negotiated pursuant to Sections
7 251 and 252 of the Act and detailing the interconnection of services governed by the
8 Federal Act between SBC and Sage should be bogged down with SBC's
9 unreasonable demands.

10 **Q. TO YOUR KNOWLEDGE, HAVE ANY OTHER STATE COMMISSIONS**
11 **REVIEWING THIS ISSUE DISCUSSED THE PROPRIETY OF IMPOSING**
12 **NONREGULATED SERVICES INTO THE INTERCONNECTION**
13 **AGREEMENT PROCESS?**

14 A. Yes, both the Texas and Michigan Commissions have addressed the issue of whether
15 it is appropriate to include nonregulated ABS billing and collection services in an
16 interconnection agreement related to regulated services adopted pursuant to Sections
17 251 and 252 of the Federal Act. Importantly, both Commissions held that inclusion
18 of the billing and collection language in the interconnection agreement was

⁴ *Id.*, at ¶ 37.

1 inappropriate. For instance, in the *Michigan MCI Arbitration* case,⁵ SBC proposed
2 the same ABS Appendix it offered to Sage in these negotiations to set forth the terms
3 and conditions for alternatively billed services billing and settlement for UNE-P ABS
4 traffic.⁶ MCI argued that the entire appendix should be omitted because ABS
5 constitute unregulated billing and collection services that are not required to be part
6 of an interconnection agreement. Importantly for this Commission's review of the
7 issue, the Michigan Commission held that "[Alternate Billed Service] is an
8 unregulated billing and collection service, the terms of which may be worked out by
9 the parties without the need for Arbitration as part of the Interconnection
10 Agreement."⁷

11 In facing this issue, the Texas Commission held that "[ABS] matters over the
12 UNE platform should be addressed in a separate billing agreement between parties
13 and should not be incorporated into an interconnection agreement." *Texas Revised*
14 *Arbitration Order*, at p. 212.⁸

⁵ *In the Matter of the Petition of Michigan Bell Telephone Company, d/b/a SBC Michigan, for arbitration of the interconnection rates, terms, and conditions, and related arrangements with MCIMetro Access Transmission Services, LLC, pursuant to Section 252(b) of the Telecommunications Act of 1996*, Case No. U-13758, Opinion and Order (August 18, 2003) ("*Michigan MCI Arbitration Order*") (relevant portions of which were attached as Exhibit 4 to the Petition for Arbitration).

⁶ *Id.* at p. 46.

⁷ *Id.*, at p. 47.

⁸ *Petition of MCIMetro Access Transmission Services, LLC, Sage Telecom, Inc., Texas UNE-P Coalition, McLeod USA Telecommunications Services, Inc. and AT&T Communications of Texas, L.P. for Arbitration with Southwestern Bell Telephone Company Under the Telecommunications Act of 1996*, PUCT Docket No. 24542, Revised Arbitration Award at 212 (Oct. 3, 2002) ("*Texas Arbitration Award*") (relevant portions of which were attached to the Petition for Arbitration as Exhibit 8)..

1 Thus, according to the Michigan and Texas Commissions, as Billing and
2 Collections is not a regulated service, it is inappropriate to include the terms in the
3 interconnection agreement. The parallels between those proceedings and the present
4 one before the ICC cannot be lost. Here, an SBC-proposed ABS Appendix is up for
5 Commission discussion, the same unregulated services are disputed, and the same
6 lack of a need for arbitration exists. There is no reason why this Commission should
7 come to any different conclusion than the Michigan Commission found on this issue.

8

9 **B. DESCRIPTION OF “INCOLLECTS”**

10 **Q. CAN YOU PLEASE DEFINE “INCOLLECTS”?**

11 A. Yes. The word “Incollects” is defined in Article XXVII, Billing, of the proposed
12 interconnection agreement, which provides:

13 27.16 **Alternatively Billed Calls-Resale Services and Network Elements.**

14 27.16. Calls that are placed using the services of SBC-
15 AMERITECH or another LEC or LSP and billed to a Resale
16 service or to an Network Element (e.g., switch port) of
17 [Sage] are called “Incollects.” Calls that are placed using a
18 [Sage] Resale service line or Network Elements (e.g.,
19 switch port) and billed to a SBC-AMERITECH line or other
20 LEC or LSP are called “Outcollects.”

21

22

* * * * *

23

24

25

26

27

27.16.3 Incollects: For messages that originate from a number other
 than the billing number and that are billable to [Sage]
 customers (“Incollects”), SWBT will provide the rated
 messages it receives from the CMDSA network or which
 SWBT records (non-ICS) to [Sage] for billing to Sage’s

1 end-users. SWBT will transmit such data on a daily basis.
2 SWBT will credit [Sage] the Billing and Collection
3 (“B&C”) fee for billing the incollects. The B&C credit will
4 be provided in accordance with the procedures set for the in
5 Article XXXVIII of the Agreement and the credit will be
6 \$0.03 per billed message. [Sage] and SWBT have
7 stipulated that a per message charge for SWBT’s
8 transmission of Incollect messages to [Sage] is applicable,
9 and SWBT will bill [Sage] for the transmission charge.⁹

10
11 **Q. BASICALLY, THEN WHAT IS AN INCOLLECT CALL?**

12 A. An incollect call is one that originates from one number and terminates at a different
13 number that is billable to Sage’s end-use customer (typically in the case where the
14 Sage end-use customer accepts a collect call provided by SBC or another third party
15 carrier).

16 **Q. FROM A TECHNICAL PERSPECTIVE, CAN YOU DESCRIBE THE CALL**
17 **FLOW FOR AN INCOLLECT CALL?**

18 A. Yes. Attached to my testimony as Exhibit SGT-2 is a call flow diagram for an
19 incollect call. Basically, what this diagram shows is that the call originates from an
20 SBC customer at handset A, flows through an SBC end office to an SBC

⁹ See, Exhibit 2 to the Petition for Arbitration, Article XXVII (Billing). For reference, the comparable language in the Interconnection Agreement between Sage and SBC-Texas (f/k/a SWBT) is found in Attachment 10, Section 8.3, as follows:

“Incollects: For messages that originate from a number other than the billing number and that are billable to CLEC [Sage] customers (Incollects), SWBT will provide the rated messages it receives from the CMDS1 network or which SWBT records (non-ICS) to CLEC for billing to CLEC’s end-users. SWBT will transmit such data on a daily basis. SWBT will credit CLEC the Billing and Collection (B&C) fee for billing the Incollects. The B&C credit will be provided in accordance with the procedures set forth in Attachment 4: Connectivity Billing-Resale of the Agreement and the credit will be \$.05 per billed message. CLEC and

1 Local/Access Tandem, into the SBC end office to the Sage loop/port, which is then
2 sent to the Sage end-use customer at handset B.

3 **Q. FOR THIS CALL, WHAT ARE THE BILLING COMPONENTS?**

4 A. For this call, where the collect call originates from an SBC end-use customer and
5 terminates to a Sage end-use customer, SBC bills Sage for Terminating Local
6 Switching. Sage bills SBC for the mutual compensation for terminating end office
7 switching. SBC also credits Sage \$.03 per message for using the rated billing
8 information to bill Sage end-use customers for these calls. The per message rate is
9 referenced in Section 27.16.3, but the actual rate is not included in the Pricing
10 Schedule.

11 **Q. FOR THIS CALL, WHAT ARE THE RECORD COMPONENTS?**

12 A. SBC provides a 11-01 series record on daily usage extract feed or DUF for the
13 unbundled local switching terminating minutes. These records are sent to Sage on a
14 daily basis electronically. The rated DUF record contains the telephone number of
15 the Sage end use customer who accepted the SBC-provided collect call, the duration
16 of the call, and the SBC tariffed rate to be applied to the call.

17 **Q. WHAT DOES SAGE DO WITH THE SBC-PROVIDED AND -RATED DUF**
18 **RECORDS AS THEY PERTAIN TO INCOLLECTS?**

SWBT have stipulated that a per message charge for SWBT's transmission of Incollect messages to CLEC is applicable, and SWBT will bill CLEC for the transmission charge."

1 A. Sage takes the SBC-provided and -rated DUF Incollect records and creates a separate
2 invoice for Incollect charges based solely on the information provided via the rated
3 DUF record. Sage sends an invoice to its end-use customer, who is asked to remit
4 payment.

5 **Q. WHAT DOES SAGE DO WHEN A CUSTOMER PAYS HIS OR HER**
6 **INCOLLECT CHARGES?**

7 A. Under the business procedures that Sage currently uses (which is the business
8 procedure that Sage and SBC have implemented in all of the states in which Sage
9 currently operates), if the customer pays the Incollect invoice (in full or in part), Sage
10 remits the collected monies to SBC with acknowledgement of the customer's
11 telephone number, so that SBC can also track payment.

12 **Q. WHAT HAPPENS IF THE CUSTOMER DOES NOT PAY?**

13 A. Again, based on the business procedures currently in place, if the customer does not
14 pay the Incollect invoiced amount, Sage takes reasonable collection efforts at parity
15 with its own collection efforts for its own charges. Sage provides to SBC an Excel
16 spreadsheet showing ANI, amount billed and aging. This tracking report includes
17 amounts 60 days in arrears. For Incollect amounts 60-days in arrears, SBC may
18 notify Sage that it wants Sage to block receipt of further SBC-provided Incollect
19 calls.

20 **Q. WHY DOES SAGE NOTIFY SBC OF ACCOUNTS THAT ARE IN ARREARS**
21 **AND WHY DOESN'T SAGE JUST BLOCK ANY ACCOUNT IN ARREAR?**

1 A. Under the business practice that Sage and SBC have developed and put in place, Sage
2 is required to notify SBC of Incollect accounts that are 60-days in arrears. From my
3 perspective, Sage does this because it is up to the provider of the service (and the
4 only entity that receives these revenues) to make a decision as to whether the Sage
5 end-use customer should be denied further SBC-provided collect calls. In fact, SBC
6 asked that it be given that authority since it has internal levels of delinquent amounts
7 for which it considers *de minimis*, and therefore, may not ask for the block based on
8 the amount owed. In addition, the Texas Commission, as part of its decision on these
9 issues, placed that requirement on SBC.

10 **Q. IS SBC DISPUTING THE BILLING PROCESS THAT YOU HAVE**
11 **DESCRIBED?**

12 A. I am not sure. In the negotiations, Sage and SBC did not get beyond the initial
13 threshold question as identifying Sage as the billing and collection agent only (and,
14 therefore not financially responsible for all Incollect rated DUF records). But rather
15 than identifying areas of disagreement with the business practices currently in effect,
16 SBC offered only a new 13-State ABS Appendix (Exhibit 10 to the Petition for
17 Arbitration). Realistically, then, we never made it past this issue.

18 **Q. MS. TIMKO, YOU HAVE DESCRIBED A BUSINESS PROCEDURE**
19 **BETWEEN SAGE AND SBC IN TEXAS. IS THIS BUSINESS PROCEDURE**
20 **BASED ON MUTUAL NEGOTIATIONS ONLY?**

1 A. No, and this is an important point. We reached the business procedures that I
2 described based in part on the Texas Commission's decisions reached in a complaint
3 that Sage filed against SBC-Texas.¹⁰ The Texas Commission issued an interim
4 order¹¹ in Sage's complaint proceeding and then decided the final merits on the
5 ultimate issue (the role of billing and collection agent only) in a larger arbitration
6 involving many parties, including Sage. When the Texas Commission issued its
7 interim order, Sage and SBC worked on implementing those decisions, which set out
8 the basic procedures outlined in my testimony here. Sage and SBC have worked to
9 take care of issues as they arise.

10 **Q. DOES SAGE HAVE ANY CONTROL OVER THE TECHNICAL CALL**
11 **FLOW OF AN INCOLLECT CALL?**

¹⁰ *Complaint of Sage Telecom, Inc. Against Southwestern Bell Telephone Company for Implementation of Billing Procedures for Incollect Calls*, PUCT Docket No. 24593 (filed Sept. 4, 2001). The Texas Commission issued an Order on Interim Relief in PUCT Docket No. 24593 and consolidated Sage's Complaint with and ultimately decided on the merits of the complaint in PUCT Docket No. 24542, *Petition of MCIMetro Access Transmission Services, LLC, Sage Telecom, Inc., Texas UNE Platform Coalition, McLeod USA Telecommunications Services, Inc. and AT&T Communications of Texas, L.P. for Arbitration with Southwestern Bell Telephone Under the Telecommunications Act of 1996*. A copy of the relevant portions of the Revised Arbitration Award issued on October 3, 2003 in Docket No. 24542 was attached as Exhibit 8 to the Petition for Arbitration.

¹¹ In the Texas Proceeding, on October 15, 2001, the Arbitrators issued Order No. 4, Granting Interim Relief, which included the following decisions, all of which are currently in place between Sage and SBC-Texas: (1) Sage is required to bill its end-use customers using the SWBT rated DUF records for Incollects; (2) Sage is required to implement a tracking system for billing and collections for incollect calls; (3) for the amounts of incollect charges that are collected as a result of the bills, Sage is required to pay SWBT those amounts as soon as practical; the payment requirements under the Interconnection Agreement are suspended for Incollects (*e.g.*, the 30-day payment period); (4) Sage will make good faith efforts to collect the incollect amounts billed to its end-use customers; and (5) in the event that a Sage customer falls into arrears more than 60 days for incollect calls, Sage is to notify SWBT; SWBT may elect to block all collect calls to that end-user.

1 A. No, it does not since the call is being provided through a service provided by SBC, or
2 more likely by an affiliate or third party carrier.¹²

3 **Q. GENERALLY SPEAKING, WHAT TYPES OF CALLS ARE INCOLLECT**
4 **CALLS?**

5 A. Typically, a substantial majority, if not almost all, of the Incollect calls originate from
6 inmate facilities (*e.g.*, jails or prisons). The remaining calls are collect calls from the
7 average citizen to a Sage end-use customer. The call may be an intraLATA collect
8 call or an operator assisted call originating from an SBC payphone. Notably, these
9 are all calls for which Sage cannot threaten to disconnect local exchange service if
10 the end user refuses to pay SBC's bill. We have been advised also (by SBC) that the
11 calls can also be calls originating from third-party carriers (*i.e.* other incumbent
12 carriers such as Verizon), and SBC attempts to collect their charges through the ABS
13 amendment that it is proposing.

14 **Q. WHAT RATES ARE APPLIED TO THESE INCOLLECT CALLS?**

15 A. In all circumstances where SBC is the carrier, SBC sets the prices of the call, sets the
16 terms and conditions of the call, and markets the calls to its end users. If the call is
17 carried by a third-party carrier, that carrier will set the price of the call and SBC will
18 provide that data to Sage. Sage does not set the price of the call, and has no
19 responsibility for establishing the reasonableness of these rates. Sage presumes that

¹² I will note that there can be incollect calls originated by a customer of a carrier other than SBC; however, SBC still bills on behalf of those other carriers.

1 SBC and the third party data provided to Sage is accurate. However, Sage is unable
2 to verify the fact that the call was made or that the rating information is consistent
3 with SBC's or the third party's tariffs.

4 **Q. WHO PROVIDES THE COLLECT CALL SERVICE?**

5 A. SBC does, or more likely its long-distance affiliate or perhaps even its payphone
6 affiliate. SBC also facilitates transmission of incollects for third party carriers. The
7 important point, however, is that Sage has *no* part in the provisioning of the collect
8 call service. The terms, conditions, and rates for the collect call services are solely
9 defined by SBC's tariffs. In fact, Sage does not know that the call took place until it
10 receives the SBC-provided and -rated DUF records.

11 **Q. DOES SAGE, AS A WHOLESALE CUSTOMER OF SBC, PURCHASE ANY**
12 **SERVICE FROM SBC INVOLVED IN THE INCOLLECT CALL?**

13 A. No, it does not. The call is accepted by the end-use customer who accepts the collect
14 calls and receives the benefit of the SBC service.

15 **Q. DOES SAGE, AS A WHOLESALE CUSTOMER OF SBC, RECEIVE ANY**
16 **FUNCTION OR FEATURE FROM SBC INVOLVED IN THE INCOLLECT**
17 **CALL?**

18 A. No, it does not.

19 **Q. DOES SAGE HAVE ANY CONTROL OR SAY IN THE COLLECT CALL**
20 **SERVICES AND RATES PROVIDED BY SBC?**

21 A. No, it does not.

1 **Q. YOU MENTIONED EARLIER THAT SBC AND SAGE HAVE EXISTING**
2 **BUSINESS PRACTICES WITH RESPECT TO BILLING FOR**
3 **ALTERNATIVE BILLING THAT HAVE ARISEN FROM A TEXAS**
4 **PROCEEDING. TO YOUR KNOWLEDGE, HAVE SBC AND SAGE**
5 **IMPLEMENTED THOSE BUSINESS PRACTICES IN ANY OTHER STATE?**

6 A. Yes. SBC and Sage have implemented the business practices in all ten states in
7 which Sage currently operates. Sage sees no reason why Illinois should be any
8 different.

9 **Q. WHY DOES SAGE WANT THE SAME SET OF BUSINESS**
10 **ARRANGEMENTS IN ILLINOIS?**

11 A. First and foremost, the currently-existing business practices are working. It makes no
12 sense to ignore business practices in Illinois that have been in place and effective in
13 ten other states. Second, from an implementation perspective, it makes sense to have
14 consistent procedures for Incollects for all states in which Sage operates and receives
15 SBC-provided and -rated Incollect DUF records. Unfortunately, SBC refuses and
16 apparently expects Sage to arbitrate or to litigate this issue in each state.

17 **Q. DOES THAT SURPRISE YOU?**

18 A. No, but I am disappointed. SBC knows that it costs a significant amount of money to
19 arbitrate in each state. Rather than continue to work with Sage using an established
20 billing and collection practice, SBC wants Sage to conform to a process that does not
21 work for Sage from a business perspective, costing Sage unnecessary and expensive

1 litigation. I can assure you that Sage would much rather be investing its resources
2 into providing top quality telecommunications service to Illinois' residential and
3 small business customers than sink money into yet another round of litigation on an
4 issue that has already been addressed through the current business practices and
5 decided by at least two other state commissions. I know that some carriers may
6 decide to give into SBC's 13-state ABS Appendix. That is certainly their decision.
7 But from Sage's perspective, the Texas procedures are in place between SBC and
8 Sage in several states; they work; and they should be implemented in Illinois as well.

9

10 **V. EVOLUTION OF DISPUTE**

11 **Q. MS. TIMKO, WHEN DID THIS DISPUTE ARISE BETWEEN SBC AND**
12 **SAGE?**

13 A. Sage first notified SBC of its intention to negotiate an interconnection agreement in
14 2002. That process lead to Sage filing a Petition for Arbitration on May 9, 2003,
15 docketed as ICC Docket No. 03-0314, which was subsequently withdrawn. During
16 the course of the negotiations, Sage informed SBC of its intention to use Sage's
17 Michigan Interconnection Agreement as the baseline for its agreement in Illinois.
18 SBC agreed and the negotiations process ultimately lead to the final agreed-upon
19 agreement attached to the Petition as Exhibit 2.

20 **Q. WHERE THEN DOES SAGE STAND IN ILLINOIS REGARDING THIS**
21 **DISPUTE?**

1 A. The short answer is that SBC continues to insist that the Illinois Interconnection
2 Agreement between Sage and SBC contain the 13-state ABS Appendix that has been
3 specifically reviewed and rejected by at least two other jurisdictions. Due to SBC's
4 intractability on this issue, Sage was forced to file this Petition for Arbitration.
5 Therefore, from my perspective, we need Commission assistance to resolve this
6 issue.

7 **Q. PLEASE SUMMARIZE SAGE'S POSITION WITH RESPECT TO**
8 **IMPOSING, AS A PRECONDITION TO INTERCONNECTION, AN**
9 **OBLIGATION TO ACT AS A BILLING AND COLLECTION AGENT FOR**
10 **SBC'S INCOLLECT CHARGES INITIATED BY SBC'S CUSTOMER.**

11 A. Sage continues to believe that the Michigan and Texas Commissions were correct
12 when they reviewed this same issue and held that ABS is an unregulated service, the
13 terms of which may be worked out by the parties beyond the Interconnection
14 Agreement. In fact, billing and collection services have not been a regulated service
15 since 1986. There is no reason why this Commission should determine it appropriate
16 to again assert jurisdiction over these nonregulated services by linking them directly
17 to an interconnection agreement over regulated services.

18 **Q. IN THE EVENT THAT THE COMMISSION DISAGREES WITH SAGE AND**
19 **HOLDS THAT IT IS APPROPRIATE FOR SBC TO IMPOSE, AS A**
20 **CONDITION OF INTERCONNECTION, AN OBLIGATION THAT SAGE**
21 **ACT AS A BILLING AND COLLECTION AGENT FOR THIRD-PARTY**

1 **CALLS ORIGINATED BY SBC'S CUSTOMERS, DOES SAGE HAVE**
2 **CONCERNS ON HOW BROAD SUCH AN OBLIGATION BE CAST?**

3 A. Yes. If the Commission requires a billing and collection agreement between Sage
4 and SBC, Sage should be in the role of billing and collections agent *only*. If the
5 Commission requires language in the interconnection agreement related to Sage's
6 role, Sage requests that the Commission approve its proposed language to Article VI,
7 Section 6.3.4.1. Sage will make a good faith effort to bill and collect SBC's incollect
8 charges for a per message fee, but should not be financially liable or responsible for
9 SBC's uncollectible incollect charges.

10 **Q. IN THIS EVENT, WHAT LANGUAGE DOES SAGE PROPOSE TO LIMIT**
11 **ITS ROLE TO THAT OF A BILLING AND COLLECTION AGENT ONLY?**

12 A. If the Commission compels Sage to enter into a billing and collection agreement as a
13 precondition to obtaining interconnection, Sage requests that the Commission adopt
14 Sage's billing and collection role. Sage proposed to SBC adding a single sentence to
15 that section that would clarify that it is not liable for SBC's Incollect, or ABS,
16 charges. Sage proposed the following contract language for Article VI, Section
17 6.3.4.1:

18 Neither party shall be liable to the other for any fraud associated with
19 a party's end user's accounting including 1+ IntraLATA toll and
20 ported numbers, unless such fraud is determined to have been
21 committed by an employee or other person under the control of one of
22 the parties (in which case, the party that committed the fraud shall be
23 liable for the fraud). If the fraud is committed by an end user, neither
24 party is liable for the fraud, but both parties reserve the right to pursue

1 the appropriate remedies against the end user. CLEC will not be
2 liable for Alternatively Billed Service ("ABS"). ABS is a service
3 that allows End Users to bill calls to account(s) that might not be
4 associated with the originating line. There are three types of ABS
5 calls: calling card, collect, and third number billed calls.
6

7 **Q. IN PARAGRAPH 26 OF THE PETITION FOR ARBITRATION, SAGE**
8 **INDICATES THAT IT HAS ALTERNATIVE LANGUAGE FOR THE**
9 **COMMISSION TO ADOPT IN THE EVENT THAT THE COMMISSION**
10 **FINDS IT APPROPRIATE TO INCLUDE CONTRACT LANGUAGE**
11 **RELATED TO ABS BILLING AND COLLECTION. IS THE PROPOSED**
12 **LANGUAGE IN PARAGRAPH 26 THE SAME LANGUAGE THAT SAGE**
13 **ACTUALLY PROPOSED DURING THE COURSE OF NEGOTIATIONS?**

14 **A.** No. Due to a clerical error, the proposed language in Paragraph 26 of the Petition for
15 Arbitration is not the same as the language Sage actually proposed during the course
16 of negotiations. The language in Paragraph 26 of the Petition for Arbitration is
17 already included in the agreement, Article XXVII, Section 27.16.3.

18 Starting after the comma in the third line of Paragraph 26, the Petition should
19 have read as follows:

20 "Sage proposed the following contract language for Article VI, Section
21 6.3.4.1:

22 Neither party shall be liable to the other for any fraud associated with
23 a party's end user's accounting including 1+ IntraLATA toll and
24 ported numbers, unless such fraud is determined to have been
25 committed by an employee or other person under the control of one of

1 the parties (in which case, the party that committed the fraud shall be
2 liable for the fraud). If the fraud is committed by an end user, neither
3 party is liable for the fraud, but both parties reserve the right to pursue
4 the appropriate remedies against the end user. CLEC will not be
5 liable for Alternatively Billed Service ("ABS"). ABS is a service
6 that allows End Users to bill calls to account(s) that might not be
7 associated with the originating line. There are three types of ABS
8 calls: calling card, collect, and third number billed calls.”
9
10

11 **Q. FROM YOUR PERSPECTIVE, WHY SHOULD SAGE’S ROLE BE LIMITED**
12 **TO A BILLING AND COLLECTION AGENT FOR INCOLLECTS UNDER**
13 **THE INTERCONNECTION AGREEMENT?**

14 A. Sage is acting as a billing and collection agent only, and its agreement with SBC
15 should reflect the limited nature of that role. The current business practice between
16 Sage and SBC related to billing and collections of Incollect charges (as developed
17 through the Texas proceeding) defines Sage’s role only to bill and to collect for
18 Incollects – not to be financially responsible to SBC for all Incollect charges.
19 Second, as I stated earlier in my testimony, Sage is not providing any service to the
20 end-use customer and does not receive, as a customer of SBC, any service from SBC.
21 Sage has no control over the terms, conditions, or rates for SBC’s tariff collect call
22 services. Third, Sage has no way of responding to any inquiries about the incollect
23 charges since all Sage does is take SBC’s rated messages, reformat them to a
24 readable fashion to be placed onto the customer’s bill. Fourth, the Commission must
25 remember that SBC also submits billing on behalf of both its unregulated affiliates as
26 well as third parties to whom Sage has no relationship. SBC’s position with respect

1 to ABS billing and collection is that Sage should be financially liable for not only
2 SBC's Incollect charges, but also for any third-party or affiliate Incollect charges for
3 which SBC bills.

4 The bottom line is that Sage is not performing any function other than billing
5 and collecting SBC charges for Incollect calls, and is performing that function for a
6 minimal \$0.03 per message credit. As stated in the Texas proceeding, the billing and
7 collection fee (in Texas it was \$0.05 per message), which was described as a
8 "relatively small amount of compensation paid to" Sage, "defeats the suggestion that
9 [Sage] [has] liability for uncollectible charges."¹³

10 **Q. WHY IS IT SO IMPORTANT THAT SAGE BE RECOGNIZED IN THE**
11 **CONTRACT AS SBC'S BILLING AGENT FOR INCOLLECT CALLS?**

12 A. The main reason is to recognize Sage's limited role in this process. As a result, such
13 a determination minimizes the financial risk to Sage associated with the incollect
14 calls. While the extent to which these Incollect charges will accrue is not known at
15 this time, if SBC had its way, Sage would be financially liable for "payment of all
16 charges for ABS Traffic", excluding up to 35% of the unbillibles and rejects. That
17 could easily amount to millions of dollars over the course of the proposed
18 Interconnection Agreement. From Sage's perspective, the financial liability for the
19 total amount of these charges could be crippling to Sage.

¹³ See, Exhibit 8 to the Petition for Arbitration, at p. 212.

1 **Q. WHY?**

2 A. Because under SBC's proposed ABS Appendix, SBC seeks to impose financial
3 responsibility on Sage for the Incollect charges. Even though Sage has tried, Sage
4 has never been able to negotiate any process or mechanisms with SBC to account for
5 Sage's actual role in this matter – a billing agent – that is until the Texas and
6 Michigan Commissions resolved the issue in their respective jurisdictions. It now
7 appears that we have to go through this process again with SBC in Illinois, with
8 basically the same contract language and the same parties involved.

9 **Q. WHO SHOULD BEAR THE BURDEN OF UNCOLLECTIBLE INCOLLECT**
10 **CHARGES – THE BILLING PARTY (SAGE) OR THE PARTY THAT**
11 **GENERATES THE REVENUE FOR THE INCOLLECT SERVICE?**

12 A. There is an axiom in regulation that “the cost causer should bear the cost.” With
13 respect to Incollect charges and services, the same should hold true. Incollect
14 services are a product that SBC and other third-party carriers market to their
15 customers. Incollect services are *not* a product that Sage markets to these SBC and
16 third-party customers. The carrier that sets the prices for these calls and receives the
17 benefit of the Incollect revenues should also bear the burden of uncollectibles.
18 Failure to allow recourse of uncollectibles places unwarranted business risks on the
19 billing party (i.e., Sage) when they are not the party generating revenue, not the party
20 earning profit nor providing the telephone service. Therefore, it is appropriate for the
21 revenue owner to assume the uncollectible risk or business risk of producing the

1 revenue. What remains at odds with the conclusion, though, is that SBC is not really
2 providing the service; its long distance affiliate (or perhaps its payphone affiliate or a
3 third party carrier) is. Therefore, the revenue producer is really the unregulated SBC
4 affiliates, yet, it is using the regulated SBC local exchange carrier to impose the
5 financial obligations on Sage. And, more importantly, the revenue producer, being
6 the unregulated SBC affiliates, is finding a way that they do not have to be at
7 financial risk for services that they provide and a way that they can obtain 100%
8 collection for Incollect services from Sage.

9 **Q. IS THERE ANYTHING ELSE IN THE INTERCONNECTION AGREEMENT**
10 **THAT SUPPORTS THIS CONCLUSION?**

11 A. Yes. In this case, Sage will be paid (or credited) a \$0.03 "Billing and Collection" per
12 message fee for providing the billing and collection service. This fee, which is
13 nominal at best, certainly is not significant enough to justify Sage assuming the
14 uncollectible risk, as SBC desires. This is a factor that the Texas Commission took
15 into consideration when finding that Sage would not be financially responsible for all
16 Incollect charges.

17 **Q. HOW WOULD A COMMISSION DETERMINATION THAT SAGE IS**
18 **FINANCIALLY RESPONSIBLE FOR THE INCOLLECTS AFFECT SAGE?**

19 A. Such a determination would impact Sage in a variety of ways. Most importantly, if
20 Sage is required to serve as a guarantor of the Incollect charges, regardless of whether

1 the amounts are collected, then Sage will have to pay an extraordinary amount of
2 cash to SBC, which will have a negative affect on Sage's cash flow position. Sage
3 may not be able to collect these charges, particularly those that are very high, or
4 obtained by persons that are no longer Sage's customers. Even for those amounts
5 that Sage is able to collect, Sage would not receive those monies until after Sage has
6 been required to pay SBC's invoice for the full amount. Thus, again, there will be a
7 negative cash flow to Sage. The bottom line is that making Sage liable for SBC's
8 Incollect charges forces Sage to subsidize SBC's customers and its business deals
9 with third party carriers and their affiliates.

10 **Q. ARE THERE OTHER DETRIMENTAL FINANCIAL IMPLICATIONS?**

11 A. Yes. Because the SBC invoices are shown as liabilities, for which Sage will likely
12 not be able to recover 100% from the end-use customers, Sage will have to show the
13 liability as part of its income statement that it uses to secure financing and investors.
14 Because of the time delay in recouping incollect charges versus the deadline for
15 payment to SBC, there will be a significant detrimental impact to Sage's audited
16 financials such as revenues and margin percentages, negative cash flow, false
17 receivable balances (since Sage may never recover some of the incollect charges that
18 it would be forced to pay SBC under an invoice), and bad debt ratios. Sage also
19 anticipates that its cost of credit and collection activities will increase, again, which
20 will negatively effect Sage's financials.

21 **Q. BUT WHY IS THAT IMPORTANT?**

1 A. In this day and time particularly, I cannot underscore the importance of sound
2 financial data for investors and the financial communication for a company such as
3 Sage. Sage has been fortunate in that it has maintained excellent credit and financial
4 ratings. One of the main reasons is that Sage works diligently *on those things over*
5 *which it has control* to minimize unnecessary expense, while providing service at a
6 high quality level to make it attractive to new and existing customers. This is a
7 monumental effort by Sage. In these times, as the Commission has to be aware,
8 financing (whether public or private) is very tight for carriers, particularly for
9 competitive local exchange carriers (“CLECs”). With the level of Incollect records
10 and invoices, Sage believes that if Sage is held financially responsible for SBC’s
11 Incollect charges, irrespective of whether the charges are collected, it will be
12 extremely harmful to Sage’s audited financial results and limit Sage’s continued
13 ability to obtain financing.

14 **Q. IF SAGE IS CONSIDERED ONLY AS THE BILLING AND COLLECTION**
15 **AGENT FOR THESE INCOLLECT CHARGES, HOW WILL THAT TAKE**
16 **CARE OF YOUR CONCERNS?**

17 A. If Sage is considered only a billing agent for SBC for these charges, *and* Sage is not
18 responsible financially for amounts that it can not collect from the responsible end-
19 user (even after parity collection efforts), then Sage will not have to show the
20 uncollectible Incollect charges as debt and liability for those portions, thereby
21 minimizing Sage’s financial risks for these charges. Again, it will also more

1 accurately reflect Sage's role in Incollect charges – a billing agent. Consequently,
2 Sage's financial records should not show any debt or liability since the monies that
3 Sage collects for Incollect charges would be remitted to SBC.

4 **Q. ARE THERE ACCOUNTING PRINCIPLES THAT SAGE USES TO**
5 **ADDRESS THIS ISSUE?**

6 A. Yes, Sage follows the Financial Accounting Standards Board. In so doing, it follows
7 EITF99-19, Reporting Revenue Gross as a Principal versus Net as an Agent. A copy
8 of this published standard is attached hereto my testimony as Exhibit SGT-3. While I
9 am not an accountant, I know that Sage follows this standard, including consideration
10 of whether the revenue is reported as the principal (full amount) or as an agent (net
11 amount). In my review, if Sage is financially responsible for SBC's Incollect
12 charges, I believe that Sage would be required to report the revenue and losses as the
13 principal. If, on the other hand, Sage is found to be a collecting agent, Sage will be
14 allowed to report the net revenue based on the amount recovered and remitted to
15 SBC.

16 **Q. MS. TIMKO, SHOULD SAGE BE HELD RESPONSIBLE OR LIABLE TO**
17 **SBC FOR ANY INCOLLECT CHARGES THAT ARE UNCOLLECTIBLE?**

18 A. No, for all of the reasons I stated above. Sage is not selling any service to the end-
19 use customer – SBC (or more accurately, its long distance and/or payphone affiliate)
20 is. SBC should not make Sage its financier – SBC should have to bear its own losses
21 for services that it provides or, hold the third party carriers and SBC affiliates

1 responsible to bear their own losses. I think that this situation is analogous to the
2 situation today where people order products over the phone all the time – through a
3 catalog or through a store. The person placing the order is responsible for payment of
4 the charges to the entity providing the product, even though the product is ordered
5 over the phone. In this scenario, Sage, as the phone company, is not ultimately
6 responsible to the store or company for its end-use customer's order. I think this
7 situation is also identical to the situation in which an interexchange company ("IXC")
8 offers a collect call service. In that situation, the end-use customer's
9 telecommunications carrier is not responsible to the IXC, the end-use customer is.
10 The carrier would have a billing and collection arrangement with the IXC, for which
11 the carrier would be compensated for the billing activities, but would not be
12 responsible financially for the end-use customers' IXC collect charges. Anything
13 short of this defies logic or common sense.

14 **Q. IN SUMMARY, SHOULD THE COMMISSION REQUIRE THE**
15 **INTERCONNECTION AGREEMENT TO INCLUDE A BILLING AND**
16 **COLLECTION AGREEMENT?**

17 A. No. From Sage's perspective, if the Commission resolves this dispute as Sage
18 proposes (i.e., finding that billing and collections are unregulated services and should
19 not be subject to the interconnection agreement process), there really is not a need to
20 include any billing and collections language in the interconnection agreement.

1 **Q. IF THE COMMISSION REQUIRES A BILLING AND COLLECTION**
2 **CONTRACT FOR THESE INCOLLECT CHARGES AS A PRECONDITION**
3 **TO INTERCONNECTION, IS SBC'S PROPOSED ABS APPENDIX**
4 **ACCEPTABLE TO SAGE?**

5 A. Absolutely not. The SBC ABS Appendix is a non-starter – it is an appendix that
6 provides three “options” to a CLEC for Incollects. SBC’S proposed ABS Appendix
7 mandates that the CLEC can “choose” to be liable for up to 100% of all charges for
8 ABS Traffic, traffic for which Sage has no knowledge of until well after the call has
9 been terminated. None of the options in SBC’s proposed ABS Appendix accurately
10 reflect the CLEC role as merely a billing and collection agent. Not only has Sage
11 rejected this Appendix for purposes of these negotiations, both the Texas and
12 Michigan Commissions have expressly rejected it as well.

13 **Q. WHAT IS YOUR UNDERSTANDING OF THE SBC PROPOSED ABS**
14 **APPENDIX?**

15 A. The CLEC is given three options: (1) CLEC blocks all of ABT Traffic; (2) CLEC is
16 responsible for all of SBC’s Incollect charges traffic, excluding unbillibles and
17 rejects.¹⁴; and, (3) CLEC purchases the ABT Accounts Receivable. The first option
18 is not a billing and collection arrangement – it is a competitively harmful choice in
19 which Sage would make a decision that none of its customers could receive collect

¹⁴ Under SBC’s proposal, Sage can submit up to 35% of SBC’s Incollect messages as uncollectible. Even so, the actual uncollectible amount can be a much higher number. Leaving Sage to eat the difference.

1 calls. Then, for example, the child that is stuck on a corner needing to call home
2 without any money cannot place a collect call to his home to get someone to pick him
3 up.

4 The second option is where a CLEC bills its customers with SBC-provided
5 rated DUF records, receives a minimal per record credit, and is financially
6 responsible to SBC for all Incollect charges, subject to the 35% uncollectible cap.
7 This option does not recognize Sage's role as a billing and collection agent, but rather
8 Sage would become a financier for SBC's uncollected Incollect charges to the benefit
9 of both SBC and its unregulated affiliates that are providing the services, which
10 places competitors of those affiliates at a competitive disadvantage.

11 The third option is where a CLEC can purchase the ABT Accounts
12 Receivable at a discount, but again takes on the financial responsibility of the
13 Incollect charges. This option is an admission by SBC that Sage is a billing and
14 collection agent. As I have stated earlier in my testimony, I do not believe that this is
15 an economically sound or viable business solution for Sage.¹⁵

16 **Q. IF THE COMMISSION DETERMINES IT NECESSARY TO INCLUDE AN**
17 **APPENDIX TO THE AGREEMENT FOR THESE INCOLLECT ISSUES AS**
18 **A PRECONDITION TO INTERCONNECTION, AND THE SBC-PROPOSED**

¹⁵ I recognize that other CLECs may choose one of these options as being workable for them. There are numerous reasons why a CLEC may choose one of these options – none of which relate to Sage's issues. Consequently, other CLEC's decisions do not diminish Sage's concerns and disputes on this issue.

1 **ABS APPENDIX IS INAPPROPRIATE, DOES SAGE HAVE AN**
2 **ALTERNATIVE?**

3 A. First, Sage does not believe that the Commission can or should impose unregulated
4 services into the interconnection process for services that are regulated. However, if
5 this Commission determines that it is important to include such terms to further
6 clarify Sage's role as billing and collection agent, Sage would respectfully request the
7 Commission adopt its proposed alternative language attached as Exhibit 3 to the
8 Petition for Arbitration.

9

VI. CONCLUSION

10 **Q. IN CONCLUSION THEN, WHAT IS YOUR RECOMMENDATION?**

11 A. Sage respectfully requests this Commission to enter an order finding that SBC cannot
12 force Sage, as a precondition to obtaining their rights to interconnection, vested by
13 Section 251 and 252 of the federal Communication Act, to act as the Billing and
14 Collection agent for, or a guarantor of, third party billed calls originated by SBC's
15 customers. As the Michigan Commission has previously found, such services are not
16 regulated and are improper in the context of an interconnection agreement.

17 If the Commission determines otherwise, Sage requests that the Commission
18 adopt Sage's proposed language placing Sage in only the role of Billing and
19 Collection agent for SBC, and not be forced to be financially responsible for all of
20 SBC's Incollect charges when the end user fails to pay the charge. If the Commission
21 determines that it is appropriate to add an appendix to the interconnection agreement,

1 Sage respectfully urges the Commission to reject SBC's proposed ABS Appendix
2 and adopt Sage's proposed contract language.

3 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

4 A. Yes it does. But I reserve the opportunity to supplement this testimony as needed
5 based on SBC's response to Sage's Petition.

6

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Sage Telecom, Inc.)	
)	
Petition for Arbitration of an)	
Interconnection Agreement with)	ICC Docket No. 03- 0570
Illinois Bell Telephone Company d/b/a)	
SBC Illinois under Section 252(b) of the)	
Telecommunications Act of 1996)	

**DIRECT TESTIMONY OF STEPHANIE G. TIMKO
ON BEHALF OF SAGE TELECOM, INC.**

Table of Exhibits

SGT-1	Resume of Stephanie G. Timko
SGT-1	Call Flow Chart
SGT-3	EITF 99-19 Reporting Revenue Gross as a Principal Verses Net as an Agent